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SUBJECT: BURMA: COUNTERNARCOTICS CERTIFICATION REPORT CARD

REF: A. STATE 104347

[1](#)B. 03 RANGOON 757

[1](#)C. 03 STATE 100273

[1](#)1. (SBU) This message responds to ref A request for a report card on the Government of Burma's cooperation on counternarcotics efforts in preparation for the annual certification process. In the text below Embassy Rangoon has assessed progress on existing benchmarks, in the prescribed report card format, and also addressed the GOB's performance on other key criteria considered in the certification process.

[1](#)2. (SBU) Begin Text of Certification Report Card:

INTRODUCTION AND SUMMARY

Burma remains the world's second largest producer of illicit opium, although in 2003 the world's top producer, Afghanistan, produced 83 percent more opium than Burma. However, Burma's role in the regional production and traffic of amphetamine-type substances (ATS) is growing.

In our view, over the past year the GOB has made substantial gains in reducing poppy cultivation and opium production; expanding cooperation with other countries in the region; and establishing drug-related laws and regulations. The GOB has made minimal progress with a law-enforcement campaign targeting the most prominent trafficking groups and their leaders, although ongoing cooperation with the DEA and others may yield more positive results. The GOB recognizes the serious problems that ATS pose to the country and to the region, but has made minimal progress in stemming the growth of ATS production and trafficking. The GOB has, overall, made insignificant progress in combating corruption; fostering counternarcotics cooperation between itself and the ethnic groups involved in drug production and trafficking, especially the Wa; and enforcing its narcotics and money-laundering legislation.

(1) PERFORMANCE IN AREAS IDENTIFIED IN THE 1988 UN DRUG CONVENTION

[1](#)A. Cultivation/manufacturing

Specific Goal: In 2003, the USG and others in the international community urged the GOB to establish a mechanism for the reliable measurement of methamphetamine production and demonstrate progress in reducing production and increasing seizures. This was not fully accomplished in 2003 and remains a valid goal for 2004.

Performance: Burma continues to play a leading role in the regional traffic of ATS. Drug gangs based in the Burma/China and Burma/Thailand border areas annually produce several hundred million methamphetamine tablets for markets in Thailand, China, and India. In 2003 there were troubling signs that a nascent domestic market for ATS began to emerge in Burma, although deteriorating economic conditions could stifle significant growth in consumption. The UNODC estimated that in 2003 there were at least 15,000 regular ATS users in Burma.

GOB authorities dismantled two ATS labs in early 2004. In 2003 ATS seizures totaled just over 4 million tablets and for the first quarter of 2004 authorities seized less than a half a million tablets. These seizures represent a steep decline from previous modest levels of approximately 10 million tablets seized in 2002 and over 30 million seized in 2001. The GOB believes that its cooperation with the DEA and with neighboring countries, as well as intense counterdrug measures undertaken in Thailand and in China, may have reduced the regional market for Burma-produced ATS. These pressures may have also forced drug gangs to change their modus operandi, including a reduction in overall production and a shift toward more sophisticated trafficking methods and routes that overwhelm Burma's meager detection capacity. However, the major manufacturers and traffickers of ATS, mostly ethnic Chinese, continue to operate in Burma's remote border areas under the control of armed, former insurgent

groups and therefore of limited access to central government authorities. The Burmese government has yet to put significant pressure on the ethnic Kokang and Wa authorities in these areas to cease ATS drug production or trafficking.

General/additional comments: Burma's performance has been very solid in reducing the cultivation of poppy and the production of opium. In 2003, Burma cultivated less than one quarter of the poppy grown in Afghanistan and produced 83 percent less opium. Since 1994, Burma has reduced its cultivation of poppy by 69 percent and, over the past ten years, the production of opium has shrunk by 76 percent. According to preliminary results of the latest UN survey and the most recent U.S.-Burma joint opium yield survey, the trend of declining cultivation and production continued in 2004. We assess that progress achieved toward eradicating poppy and opium is due to the GOB's eradication efforts and enforcement of poppy-free zones, cooperation with donors on alternative development, a sharp shift towards synthetic drugs in consumer countries, and, at times, poor weather.

1B. Consumption/demand reduction

General comments: The overall level of drug abuse is low in Burma compared with neighboring countries, in part because many Burmese cannot afford a drug habit. According to the GOB, since 1993 there have been only about 80,000 "officially registered" drug abusers in Burma. However, the UNODC estimates that there may be some 300,000 people who currently abuse drugs in Burma. Most drug users smoke opium, but use of heroin is rising, particularly in urban and mining areas. Synthetics are increasingly available and cheap, making these drugs accessible to a growing segment of the population.

Burmese demand reduction programs are in part coercive and in part voluntary. Addicts are required to register with the GOB and can be prosecuted if they fail to register and accept treatment. There are six major drug treatment centers under the Ministry of Health, 49 other smaller detox centers, and eight rehabilitation centers which, together, have reportedly provided treatment to about 55,000 addicts over the past ten years. The UNODC also operates a limited detox program and there are a variety of narcotics awareness programs conducted through the public school system. In addition, the government has established demand reduction programs in cooperation with NGOs, including programs with CARE, World Concern, and Population Services International (PSI).

Burma, in cooperation with UNODC, has an effective public relations campaign which taps celebrities and well-known athletes to promote drug-free living. The joint GOB-UNDOC "Civil Society Initiative" (CSI), which also partnered with NGOs, held a successful anti-drug concert and marathon in 2002. However, the GOB failed to support a two-day music festival in 2003, which was subsequently canceled due to political concerns over crowd control. The GOB visibly advertises its serious penalties for drug-related violations of the law, including the death penalty for trafficking of illicit substances.

1C. Trafficking -----

Specific Goal: In 2003, the USG and others in the international community urged to GOB to create a special task force of police and prosecutors to target and investigate high-level drug traffickers and drug trafficking groups. This was partially accomplished in 2003. A more appropriate benchmark for 2004 will be the effective use of these existing mechanisms for the arrest and prosecution of top drug traffickers (see section E).

Performance: Drug enforcement efforts in Burma are led by the Central Committee for Drug Abuse Control (CCDAC), which is comprised of personnel from the police, customs, military intelligence, and the army. CCDAC now has 21 drug-enforcement task force units around the country, with most located in major cities and along key transit routes near Burma's borders with China, India, and Thailand. CCDAC plans to open a new task force unit in Myawadi on the Thai border in late 2004. In 2002, CCDAC established its own Financial Investigation Unit (FIU) and, in 2003 and 2004, this entity initiated 8 cases leading to 26 arrests and the seizure of roughly \$1.3 million in assets.

CCDAC's units are under funded and badly equipped. Nevertheless, we assess that Burma has the capacity to move effectively against high-level drug traffickers and drug trafficking groups (see Section E). However, the central government lacks the political will to move aggressively against former insurgent groups, like the United Wa State Army and others implicated in the drug trade, for fear of re-igniting the insurgencies that devastated eastern Burma for so many decades before 1989.

In 1997, the Eastern Shan State Army of Sai Lin promised to

end opium production in its cease-fire area and did so. In 2000, the Kokang Chinese broke their pledge to end opium production and Burmese and Chinese governments subsequently mounted intense counter-narcotics operations. In 2003, as a result, opium production in the Kokang Chinese capital district of Lawkai was a fraction of its level two years earlier. In 2005, the United Wa State Army is scheduled to end opium production. However, opium yield surveys in recent years indicate that poppy cultivation in northern Wa territories is actually increasing.

D. Illicit crop eradication/substitution

Specific Goal: In 2003, the USG and the UNODC requested that the GOB facilitate the participation of independent monitors to verify poppy eradication and other counternarcotics efforts. This was accomplished in 2003 and again in 2004 and remains a valid, ongoing objective.

Performance: Burma cooperates with the United States on its annual opium yield survey and with the UNODC on census surveys of poppy cultivation and opium production. In fact, all recent estimates of opium and heroin production in Burma have been compiled by the United States and the United Nations on the basis of these surveys. The U.S. and Burma conducted joint opium yield surveys in 1993, 1995, and annually from 1997 through 2004, giving both governments an accurate understanding of the scope, magnitude, and changing geographic distribution of Burma's opium crop. In 2004, the UNODC survey extended beyond Shan State to include rapid assessments in Sagaing Division, Chin State, and Kachin States.

General/additional comments: The government has eradicated more than 35,000 hectares of opium poppy over the past three crop years. Despite a recent decline in annual rates, overall eradication accounts for nearly half of the reduction in area under poppy cultivation since 2001.

The most significant multilateral effort in support of substitution efforts is the UNODC's Wa Alternative Development Project (WADP), which is financed by the United States, Japan, and Germany. A five-year, \$12.1 million program, this supply-reduction project encourages alternative development in a small portion of the territory controlled by the United Wa State Army. UNODC extended the project from 2003 until 2005 and expanded the number of villages targeted for community development work from 4 to 16. Also in 2003, the UNODC and the Japanese government announced plans to establish an intervention in the Wa and Kokang areas (dubbed "KOWI"), aimed at supporting the humanitarian needs of farmers who have abandoned poppy cultivation.

Bilateral counternarcotics projects include a small, U.S.-financed substitution project in northern Shan State (Project Old Soldier) and a substantial Japanese effort to establish buckwheat as a cash crop in the Kokang and Mong Ko regions of northeastern Shan State. The Thai government has since 2001 extended its own alternative development projects across the border into the Wa-controlled Southern Military Region of Shan State.

E. Interdiction and law enforcement cooperation

Specific Goal: In 2003, the USG and others in the international community urged the GOB to arrest and prosecute the senior leadership of heroin and methamphetamine trafficking organizations. This was partially accomplished in 2003 and remains a valid objective for 2004.

Performance: More than 96,000 persons have been arrested for narcotics-related offenses in Burma over the past 16 years, of which nearly 56,000 have been convicted and sentenced. Burmese courts have sentenced over 14,000 of these offenders to 10 years or more in prison and sentenced to death 58 of the most significant traffickers and producers. Preliminary data indicate that Burma arrested just under 1,000 suspects in drug-related cases during the first three months of 2004, of which 889 were prosecuted, convicted, and sentenced.

Many of these arrests and convictions involved major drug syndicates. Many also involved close cooperation with U.S., Australian, and other regional law enforcement agencies, including China, India, and Thailand. Among the most notable were the following:

-- In March 2004, a joint cross-border investigation involving Burmese and Chinese authorities, and the DEA, led to the arrest in Burma of one major Burmese heroin trafficker, Yan Shuk Lon, and in China of three major Chinese heroin traffickers. Burma is prosecuting Yan Shuk Lon for the trafficking of over two metric tons of heroin which were seized in China.

-- Ongoing cooperation with the United States and China in the investigation of the "1-2-5" syndicate, which led to the arrest of 28 persons in the United States, Hong Kong, China, and India in May 2003. Reportedly, this group had been responsible for the export of more than \$100 million in heroin to the United States since 2000.

-- Ongoing cooperation with China in a series of arrests and seizures that have continued through 2004 along the Chinese border following the signature of a Chinese/Burmese MOU on counternarcotics operations in January 2001. Since then, Burma has turned over 60 fugitives to China, including members of one group (Tan Xiao Lin and company) which China described as the "largest armed drug-trafficking gang in the Golden Triangle."

Despite these accomplishments, Burma has failed to bring to justice several high-profile individuals known for their current or past drug trafficking activities, including Khun Sa and Wei Hsueh-kang, both of whom are under indictment in the United States.

F. Asset Seizure

General comments: There have been no known seizures made yet under the 2002 anti-money laundering law. However, under a 1986 law on the ownership of properties obtained by unlawful means, the Bureau for Special Investigations (BSI) has opened 41 cases, arrested 16 individuals, and seized roughly \$2.3 million in assets. Under the 1993 Narcotic Drug and Psychotropic Law, the CCDAC's Financial Investigation Unit has, since 2002, opened 8 cases, made 26 arrests, and seized \$1.3 million in assets. Under that same 1993 law, CCDAC's central headquarters has over the past decade opened 1,694 cases, made over 2,000 arrests, and seized an additional \$1.3 million in assets. In September 2003, the CCDAC obtained a court order to freeze all savings and checking accounts of all defendants and possible co-conspirators linked to a heroin seizure in Suva, Fiji in 2000. According to GOB authorities, Burma has seized more assets in the last two years than over the previous ten years.

G. Extradition and mutual legal assistance

Specific Goal: In 2003, the USG and UNODC urged the GOB to amend Burma's substantive and procedural criminal laws to facilitate effective investigation and prosecution of major drug traffickers. This was accomplished in early 2004, although a new mutual assistance law has yet to be tested. A more appropriate benchmark for 2004-2005 will be the full implementation and application of the new law.

Performance: The GOB passed a "Mutual Assistance in Criminal Matters Law" in April 2004. The law, written largely by UNODC, establishes a framework for the GOB to cooperate with law enforcement agencies from all countries, even those with whom Burma does not have a mutual legal assistance treaty. The new law does not cover extradition, but could facilitate cooperation on narcotics and other cases. However, we remain concerned with some provisions of the law that give the SPDC veto power over cooperation decisions without requiring an explanation. There is also some confusion over whether the law is actually in effect pending implementing regulations.

H. Drug treatment

See Section B above on consumption/demand reduction.

I. Control of precursor/essential chemicals

Specific Goal: In 2003, the USG and others in the international community urged the GOB to establish an effective program for the control of precursor chemicals. This was only partially addressed in 2003 and remains a valid objective for 2004.

Performance: Burma acceded to the 1988 UN Convention on the Control of Chemicals in 1991, but did not establish a Precursor Control Committee until 1998. This committee issued a notification in 2002 identifying 25 chemical substances as precursor chemicals, including several not prescribed by the UN Convention, and prohibiting their import, sale, or use in Burma. In January 2003, Burma held its first trilateral conference with India and China on precursor chemicals and later expanded to include Laos and Thailand. This multilateral group met in May 2004 and will meet again in India in 2005. As a result of this cooperation, India and China have taken steps to divert precursor chemicals away from Burma's border areas; India has added ephedrine to a 100-mile wide exclusion zone for acetic anhydride along its border with Burma; and Burma is encouraging India to add caffeine to this list. Burma also

participates in a UNODC regional project on the "Control of Precursor Chemicals in East Asia."

General/additional comments: Precursors for refining these narcotic drugs are primarily produced in India, China, and Thailand. Burma does not have a chemical industry and does not produce ephedrine, acetic anhydride, or any of the other chemicals required for the narcotics trade. Similarly, the major markets for all of these narcotic drugs lie in neighboring states. However, there were signs in 2003 that Burma's small domestic market for drug consumption grew, especially the consumption of ATS.

Seizures of precursor chemicals declined substantially in 2003 and included 308 kilos of ephedrine (down 82 percent from 2002), 2,562 liters of acetic anhydride (down 80 percent from two years prior), and 37,000 liters of other precursor chemicals (also down nearly 80 percent from two years prior).

Preliminary statistics for the first quarter of 2004 indicate a continuing decline in seizures. GOB authorities believe that seizures of precursors have declined for the same reasons seizures of ATS have declined, namely that various pressures may have reduced the regional market for Burma-produced ATS and also forced drug gangs to shift toward more sophisticated trafficking methods and routes that overwhelm Burma's meager detection capacity (see Section A).

J. Money Laundering

Specific Goals: In 2003, UNODC and the Financial Action Task Force, of which the U.S. is a member, requested that the GOB: 1) fully implement and enforce Burma's money-laundering legislation; and 2) take effective measures to stem the flow of illicit drug money into the banking system and economic enterprises and to end joint economic ventures with the leaders of drug trafficking organizations. This was only partially accomplished in 2003 and remains a valid objective for 2004.

Performance: In November 2003 the multilateral Financial Action Task Force (FATF) asked its members to impose countermeasures on Burma for failure to implement the GOB's 2002 anti-money laundering statute and to introduce a mutual legal assistance law. In December 2003, the GOB issued the money laundering regulations; in January 2004 it set reporting threshold amounts for bank and real estate transactions; and in April 2004 it passed mutual legal assistance legislation. The money laundering regulations established an interagency Financial Intelligence Unit (FIU) and a mechanism for banks and realtors to report, and the government to investigate, large or suspicious transactions. Though the regulations as written are generally good, some aspects are troubling, such as an unusually high threshold amount for suspicious transactions (roughly \$115,000). We also remain concerned about the GOB's ability, and to a lesser degree willingness, to enforce its new money laundering regulations. Corruption, rampant tax evasion, and ill-equipped law enforcers and banking regulators will weigh against proper enforcement.

As of May 2004, the FIU had received 638 cash/property transaction reports but zero suspicious transaction reports. These reports have yet to lead to any investigations by the FIU. Investigations launched in December 2003 into the money laundering activities of two private banks (Asia Wealth and Myanmar Mayflower) are moribund.

Burma's private banking system is slowly recovering from a massive crisis in February 2003. As of May 2004, all but three of the country's 20 private banks had resumed operations, though under far stricter Central Bank regulations. Three of the four largest pre-crash banks, Asia Wealth, Myanmar Mayflower, and Yoma, remain alive but out of action with no prospect for re-opening. Even with the slow re-emergence of the private banking system, unregulated financial flows remain the rule. Informal "hundi/hawallah" financial remittance systems remain very active both for domestic and international transactions. Though the real estate bubble of 2001-03 has popped, immovable property (both commercial and residential) remains a popular destination for illicit cash. Likewise, gems smuggled to China or Thailand continue to be a popular method for remitting dirty money from Burma. Drug trafficking organizations have large and lucrative business enterprises, including construction, light manufacturing, mining, and banking.

(2) PERFORMANCE IN ACCOMPLISHING GOALS DESCRIBED IN ANY APPLICABLE MULTILATERAL NARCOTICS AGREEMENT

Burma's official 15-year counternarcotics plan calls for the eradication of all narcotics production and trafficking by 2014, one year ahead of an ASEAN-wide plan of action that calls for the region to be drug-free by 2015. The plan is to proceed by stages, with eradication efforts coupled to alternative development programs in individual townships, predominantly in Shan State. Altogether, the GOB identified

54 townships for the programs and targeted 25 of them during the first five years of the program.

(3) PERFORMANCE IN PREVENTING AND PUNISHING PUBLIC CORRUPTION

Although there are many reports and much speculation, there is no definitive evidence that senior officials in the Burmese Government are directly involved in the drug trade. However, lower level officials, particularly army and police personnel posted in outlying areas, are widely believed to be involved in facilitating the drug trade and some officials have been prosecuted for drug abuse and/or narcotics-related corruption. According to the Burmese government, over 200 police officials and 48 Burmese Army personnel were punished for narcotics-related corruption or drug abuse between 1995 and 2003. Of the 200 police officers, 130 were imprisoned, 16 were dismissed from the service, 7 were forced to retire, and 47 were demoted. No Burma Army officer over the rank of full colonel has ever been prosecuted for drug offenses in Burma.

The GOB does not have joint ventures with the leaders of drug trafficking organizations. Rather, it has given corporations like the USWA's Hong Pang Company outright concessions for the operation of a variety of businesses which range from farms to ruby mines and other trading and industrial establishments. This has been controversial, both in Burma and abroad, but the GOB has argued that such arrangements are necessary to give known narcotics trafficking groups an alternative source of income and to bring these groups more closely under central government control.

End Text of Certification Report Card
Martinez